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MONITORING OF INTERNATIONAL PLANS AND PROGRAMMES OF ACTION

Note verbale dated 29 October 1992 from the Permanent Mission of Finland to the international organizations at Vienna, addressed to the Secretary-General

Report of the international expert meeting: "Towards a competitive society in central and Eastern Europe: social dimensions"

The Permanent Mission of Finland presents its compliments to the Secretary-General of the United Nations, in care of the United Nations Office at Vienna, and has the honour to request distribution of the annexed report of the international expert meeting "Towards a competitive society in central and Eastern Europe: social dimensions", held from 20 to 22 September 1992 at Kellokoski, Finland, as an official document of the Commission for Social Development at its forthcoming thirty-third session under agenda item 4: "Monitoring of international plans and programmes of action".**

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Annex

INTERNATIONAL EXPERT MEETING

"Towards a Competitive Society in Central and Eastern Europe: Social Dimensions"

September 20 – 22, 1992; Kellokoski, Finland

organized by

the National Agency for Welfare and Health, Helsinki, Finland

and

the European Centre for Social Welfare Policy and Research, Vienna, Austria

in collaboration with

the United Nations Centre for Social Development and Humanitarian Affairs, United Nations Offices in Vienna, Austria

and sponsored by

the European Bank for Reconstruction and Development London, England,

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I. INTRODUCTION

1. The International Experts Meeting "Towards a Competitive Society in Central and Eastern Europe: Social Dimensions" was held in Kellokoski, Finland from September 20 to September 22, 1992. The Meeting was organised by the National Agency for Welfare and Health of Finland and the European Centre for Social Welfare Policy and Research, Vienna, in collaboration with the United Nations Office at Vienna, Centre for Social Development and Humanitarian Affairs (UNOV/CSDHA), and sponsored by the European Bank for Reconstruction and Development (EBRD), London.

2. The Meeting was in line with the General Assembly Resolution 46/166 on "Entrepreneurship", which inter alia welcomed "The activities being undertaken by various organs, organisations and bodies of the United Nations system to promote entrepreneurship in economic development" and recognized "the important role that technical assistance can play in assisting Governments to develop and revitalize their economies through free enterprise, competitive markets and entrepreneurship and by strengthening the efficiency of the public sector in accordance with their national conditions and development priorities." Taking note of this Resolution, the aims of the Meeting were set to focus on 1) the economic and social policies which could be adopted in the period of the transition in Central and Eastern Europe, 2) the building of intermediary institutions between state and the individual in order to guarantee civilized competition and conflict regulation, and 3) dealing with unresolved social problems that may undermine the transition toward competitive societies.

Global Context

3. As the pace of economic reform in Central and Eastern Europe has gathered speed, so too have the human and social consequences and costs of reform become more manifest. In all countries economic reform has been accompanied by a sharp decline in living standards of major groups of the population. In such circumstances there is a real danger that the association of reform with increased suffering and social hardship threatens the reform process itself, alienating support and testing to its limits the patience of those whose initial hopes and expectations have not been fulfilled.

4. In the dialogue between international agencies and the governments of Central and Eastern Europe on giving aid to promote the market economy, the bias of attention has been towards issues such as currency stabilisation, privatisation and price liberalisation. Two issues have not been adequately analysed:

5. One of them is the new relationship between East and West, connected to the general trends of globalisation. With the globalisation of the economy, social policy has to become a global concern, in which international agencies as well as the most developed countries have a special role. Rich and poor nations are becoming increasingly interdependent. While global redistribution from richer to poorer areas is not likely to happen by itself, the recognition of mutual interests may be a factor promoting globalisation. The wealthier nations, alone or together, cannot isolate themselves against the externalities of poorer nations within the European region, such as violent conflict, environmental health and safety risks and degradation, crime, epidemies, or mass migration. Some kind of action is unavoidable and this must be necessarily concerted.

6. The other relatively neglected issue has been the relationship between economic and social reform. Recently a change in perspectives has occurred. A United Nations advisory mission to Russia in 1992 concluded that the complementarity of economic reform and social protection must be recognised, not only by those closely engaged in the task of implementation, but also by those most affected by the process of change. There also has been growing recognition by leaders of the reform process in Central and Eastern Europe that social policy

should be a indispensable element of the reform process. The International Monetary Fund and other international Agencies have likewise recognized the need to pay more attention to the short-term human costs and to introduce a social component into their interventions, without which their efficacy will be compromised.

7. It is hoped that Western governments, as they begin to appreciate fully the magnitude of the challenge presented by transition and the adverse consequences - for both East and West - of a failure to manage this effectively, may come to recognize that even in terms of their own self-interest international action must be co-ordinated to guarantee that social reform keeps pace with and is adequate to the requirements of economic restructuring.

8. This immediately raises a key question. Upon what principles should the development of a social policy appropriate to the needs of Central and Eastern Europe be based. What then might a set of basic social policy principles look like?

II. GUIDING PRINCIPLES

9. The countries of Central and Eastern Europe face a diverse array of problems, the solutions to which must of necessity be adapted specifically to the situation prevailing within a particular country; this applies in the realms of both economic and social policy. Nonetheless, despite the manifest diversity that exists, it is possible - at least in the realm of social policy - to identify a set of core policy principles of general applicability. Clearly, each country will give a particular bias or emphasis to each of these principles while endorsing their general thrust. These core principles may be summarized briefly as follows:

Accepting Constraints

A. Social policy has to be framed within the real constraints that exist.

10. In developing social policy the existence and nature of these constraints will of necessity be debated and challenged. Constraints may be relaxed, re-defined or agreed.

11. The prevailing economic situation within a country constitutes a key constraint. Moreover, predicating social policy measures upon optimistic assumptions about the extent to which a government will be able to collect the tax revenues due to it, or to generate new sources of revenue for instance via privatisation, international aid, public sector debt, or voluntary donations, would be foolhardy.

12. Social policy programmes must take full account therefore of the fragility of government revenue during the early stages of transition. Beyond this, careful consideration must be given, particularly in some countries, to the inflationary effects of certain forms of social protection. A balance has to be struck between protecting people against the consequences of inflation and fuelling inflation itself.

Promoting Civil Economy

B. A central objective of social policy should be to impede the further growth of the second, hidden or black economy and to create incentives to reintegrate the underground economy into the civil economy.

13. Resort to illegal or quasi legal forms of self-help is widespread. Resources that could be used to provide social protection are diverted elsewhere, further exacerbating already severe financial constraints. Social policy should be geared therefore towards providing incentives for individuals to forego recourse to the "second economy", by legitimizing and legalising activities wherever possible.

Recognising History

C. In framing social policy, proper account must be taken of the historical legacy.

14. No social policy starts with a blank sheet of paper. The historical legacy manifest in particular institutions, policy approaches, attitudes towards welfare and the role of the state in providing social protection itself constitutes a set of constraints which should be given due weight in formulating a forward looking and inventive social policy must be framed. More positively the institutions created in the past do, in some instances, provide a base upon which to build. Aspects of the system which worked in the past need to be adapted to current needs.

Not Reverting to Traditionalism

D. In shaping social policy care should be taken to avoid reverting to traditional forms of the division of labour.

15. The existing employment and societal position of women should, wherever possible, be protected. The family should not realistically be expected to take over major functions previously undertaken by the state and enterprises precisely at a time when the capacity of the population to take on further burdens is least.

Reinforcing Reform

E. Social policy has a key role to play in reinforcing the process of political and economic reform and promoting the creation of institutions in harmony with a participatory society and a social market economy.

16. The extent to which the reinforcement of reform is a critical task varies considerably between countries, but the principle is nonetheless generally applicable. The reverse of this principle is also important; namely, that economic reform itself should in part be judged by the extent to which it gives rise to the creation of new social and political structures and consistent with the requirements of a stable political democracy and civil society.

Protecting the Vulnerable

F. Protection of those most immediately and adversely affected by reform is a fundamental requirement of social policy.

17. Both during and after the transition process there will be some groups of the population who are more exposed than others and for whom self- help in whatever form is simply not an option, for example the sick, the disabled, the elderly, young children, families with a large number of dependents and the unemployed with little prospect of re-employment. The impact of reform, being uneven in its effects, inevitably hits some groups harder than others. A prerequisite therefore of an effective social policy is that it should match social protection to those groups of the population whose needs are must urgent and whose ability to meet these needs themselves is most limited.

Embedding Reform

G. In creating a social policy adapted to both current and future requirements care must be taken to ensure that the measures proposed will lay a foundation - at the legal, institutional and attitudinal levels - upon which future policies can build.

18. Social policy has a role to play in promoting a change of habits and attitude characterized by an assumption of personal responsibility for welfare; creating the conditions and infrastructure in which individuals and families are able to help themselves; promoting the creation of voluntary, non governmental organizations which will occupy a pivotal position in welfare provision and delivery.

Implementing Programmes

H. Social policy programmes must be fully compatible with the delivery mechanisms that either exist already or which can be put in place rapidly.

19. The success of social protection measures will be determined, in large part, by the means selected to deliver them. "Delivery" here refers to the full range of administrative procedures, including the use of intermediary, non- governmental organisations, through which welfare policy is translated into action. In choosing specific measures just as much attention should be given therefore to the question of delivery as to the substantive content of the measures themselves.

Sequencing Policies

I. In developing a social policy particular attention should be given to the sequencing of reforms.

20. The pace at which reform is introduced is typically a matter of intense debate. But the issue of sequencing is equally if not more important. Failure to address the sequencing issue is likely to lead to a situation in which too many things are tried simultaneously, where the necessary choices and trade-offs are not properly made. Sequencing is, moreover, an essential element in developing a social policy which can be communicated with clarity to those for whom it is designed. This is an issue to which relevant research has a great deal to contribute.

Preventing Mass Poverty Migration

J. Migration of large parts of the population in search of work, security or social welfare, constitutes a major threat which any social policy must address.

21. One test therefore of the efficacy of a social programme is the extent to which it provides citizens with sufficient incentives to remain in their homeland, if they so wish, rather than emigrate.

Building Intermediary Institutions

K. The role of intermediary organisations should be an essential policy consideration for governments and international organisations so that the emerging civil society can play an important role in the development of economic and social policies and services.

22. If intermediary organisations are neglected or ignored, the efficiency of aid programmes may be compromised and social/economic development jeopardized. Economic interest organisations (employer's and trade associations, labor unions, chambers of commerce, industry and labour and other special interest groups) should be strengthened and the role of firms and works councils in providing social services examined. Delivery of social services should be decentralized to local government and involve voluntary organizations to the maximum extent possible. The creation of voluntary organisations should be facilitated by governments. International non-governmental organisations should support and help to launch national groups working within their field. The practice of "social dialogue/partnership" between employers associations and labour unions should be promoted.

Promoting Strategic and Inclusive Policy-making

L. Working towards long-term, broadly-based, consensual economic and social policy frameworks, strategic conceptions, and joint decision-making of all parties and organized interests was considered to be of utmost importance during the transformation period.

23. Strenghtening the organisation of interest groups in civil society might increase complexity but ultimately also increases governability, whereas weakening intermediaries also erodes the state's capacity of action. Dramatic structural changes need a broad social and political consensus among government and opposition and all organised interests on the main principles of transformation policies during the transition. Everything should be done to overcome an occasionally extreme fragmentation and polarisation of the political space, to de-escalate hostile divides and to prevent exclusive policies to re-inforce existing painful cleavages. Among the measures considered to be helpful for a peaceful and effective transformation are supporting the organisation of autonomous interest associations; strengthening the representativity and legitimacy of intermediary associations (e.g. by union or workplace elections); building-up independent associational resources and expertise; at the same time creating consensual economic and social policy bases accepted by all parties in order to facilitate arbitration and comprehensive social contracts and interest intermediation. In the final analysis, only inclusive economic and social policies can generate the necessary confidence both in the public authorities and the mutual trust of the actors within civil society in each other. Without this and without realistic expectations and social cohesion, the great transformations under way are most likely to fail.

24. In all the above processes, care must be taken to ensure that social protection measures are not delivered in a way that is socially divisive. Indeed, a key task of social policy is to promote trust, social integration and cohesiveness thereby fostering conditions conducive to stable political democracy and civil society.

III. CONCLUSIONS AND RECOMMENDATIONS

25. The response by governments in Central and Eastern Europe and by international agencies should deal with the urgent social problems of the transition to democratic societies and market economies, as well as the longer-term issue of social policies for the development of active and competitive societies.

A. URGENT SOCIAL PROBLEMS

26. The economic crisis entails grave social problems such as increasing poverty and social exclusion, the depreciation of human potential, mass unemployment and organised crime which are threats to democracy. All require urgent action.

Increasing Mass Poverty and Social Exclusion

27. Providing a basic tolerance level of income is a fundamental prerequisite; preventive and rehabilitation policies should be developed to reduce the trend towards long-term unemployment and social exclusion.

The Depreciation of Human Potential

28. The restructuring process should be efficiently managed and phased so as to reduce the loss of human capital, which is the main resource for the future. International cooperation between sending and receiving countries is needed to limit migration and brain drain, and to ensure compensating benefits for sending countries.

High Unemployment

29. Economic and industrial policies which lead to higher rates of job creation are indispensable if social policies are to play their role. New semi-market solutions, involving local communities, are needed especially for vulnerable groups such as school leavers seeking their first job. A major positive response is to support the growth of entrepreneurship and self-employment, recognizing that small firms will be the main source of new jobs.

Organised Crime and Delinquency

30. Crime prevention programmes, with due respect for human rights must be established to deal with organised crime, drug trafficking, illegal arms trade, racketeering, corruption, white collar criminality, street crime and juvenile delinquency. Preventive social policies can play a role in containing these rapidly growing problems.

B. DEVELOPMENT OF SOCIAL POLICIES

31. The above urgent social problems can only be dealt with in the longer run through strategic social policies which help the societies of Central and Eastern Europe to achieve democratic goals, such as social justice, participation and protection as an integral part of the transition strategy.

32. A sense of participation and recognition of all social groups should be promoted. The human rights of minorities must be strictly observed. Equal access to basic goods, services, and financial institutions must be guaranteed. Special programmes for the advancement of women and the protection of the family should be established.

33. The key principles set out above (Part II) for the development of such social policies should be carefully considered by each country and international agencies.

34. Underpinning them is an assumption that what is now urgently required throughout Central and Eastern Europe is the development of a long-term, and strategic approach to social policy so as to ensure that social protection measures are developed and deployed in an orderly and coherent manner rather than simply representing a one-off, ad hoc response to an immediate problem.

35. It is further assumed that in looking at alternative welfare approaches countries will have most to learn from those countries with whom they have some degree of social, cultural or historical affinity. In adopting alternative models care must be taken to ensure that adoption is always accompanied by adaptation. Any welfare approach has necessarily been shaped by the context in which it has been developed. There is moreover no single model or combination of methods that could be deemed "right". What works in one social context may be wholly inappropriate in another. Transition to a social market economy does not eliminate fundamental social and cultural differences. Social policies, protection measures and the means of their delivery must be adapted and changed to meet particular, local requirements.

C. TRANSNATIONAL ANTI-POVERTY PROGRAMMES

A transnational anti-poverty program should be considered by Western European countries and international agencies.

36. Carefully-designed funding of local public work projects to create employment, aimed at cleaning up the environment and improving the deteriorated housing stock, to be carried out by local corporations as joint public/private ventures as well as supporting services and provisions for school children in universal elementary school systems, such as school meals and school-related health care must not adversely interfere with the labour market.

37. These schemes will both create employment and improve health, nutrition and the physical environment. The schemes will be clearly transitional, aimed at repairing the damage done by the neglect and indifference of previous regimes. As the restoration of healthy dwelling and the landscape proceeds, new projects should increasingly be carried out with local finance and on market terms.

D. INTERNATIONAL COOPERATION

38. In view of the interactions between the social problems of different nations, the main international organisations should pay due attention to the global aspects of social policy, leading to practical action. They could, for example:

- take up the issue of redistribution at a global level taking into account the problems posed by the serious social problems arising in the poorer nations

- provide development assistance so as to diminish migratory flows

- organise the dissemination of innovative policies based on an integrated economic and social approach to the problems

- integrate a social component into international programmes of financial aid and technical assistance so as to ease the human burdens of radical structural change

- play their role in underpinning inalienable human rights and progressive development towards political democracy and civil society and relate their economic assistance towards these aims

- promote an international long-term research programme on "Development of an active and competitive society in Central and Eastern Europe".

IV. ORGANIZATION OF THE MEETING

A. Opening of the Meeting

39. The meeting was opened by the Director of the Social Development Division, United Nations Office of Vienna UNOV/CSDHA. In his opening statement, the Director thanked the National Agency for Welfare and Health of Finland which made it possible to hold this meeting of experts on this important subject. He also extended his thanks to the European Centre of Social Welfare Policy and Research, Vienna, which provided the intellectual and scientific programming and servicing of the meeting as well as to European Bank for Reconstruction and Development which made an important donation to the project.

40. He referred to the purpose of the meeting to explore the needs in the transition of the countries of Central and Eastern Europe towards a market economy, and to consider a new kind of social policy properly adjusted to the specific conditions of a given society. This transition from the "Homo Sovieticus" to the "Homo Democraticus" is both a complex and elaborate process.

41. The Director emphasized that in shaping a new social policy neither comparisons between the situations of Western European countries in the immediate post-war era and those of Central and Eastern Europe of today nor a wholesale and mechanical repudiation of all aspects of social policies of the former system would be warranted. One of the major determining factors of the situation in Central and Eastern European countries is the rapid pace of restructuring old forms of government and institutional life is much faster than the construction and consolidation of new institutions and forms of public life. Yet no ready-made solutions may be expected to be found in the Western countries and transferred to Central and Eastern Europe. Each country has to find its own way to proceed. This requires not only basic institutional changes but also changes in attitudes which may take a generation. In this formidable undertaking the record of United Nations organisations and agencies in setting international social policy standards could become a valuable resource base for the task ahead.

42. The Director of the Finnish National Agency for Welfare and Health welcomed the participants of the meeting. She recalled the special role of Finland as a mediator between East and West and as an initiator of a programme known by the name of "East-West dialogue". Its purpose was to bring together researchers in the economic and social sciences from East and West to exchange ideas in issues of social policy with regard to the transformations that took place in Central and Eastern Europe. These encounters turned into an all-European dialogue of which this meeting is an example.

43. She referred to the fact that changes were also occurring in Western Countries. Thus Finland is going through a severe economic depression resulting in widespread unemployment, resulting also in an ideological and political crisis. Criticism of the Nordic type of welfare state which was believed to be deeply anchored in the country is becoming more frequent.

44. Singling out one particular aspect of recent developments in Europe, she pointed to a decline in the social weight of women. In the Nordic countries as well as in Eastern Europe, labour participation rates of women are very high. At the same time, they are assuming social service duties in the fields of care. These and other questions of gender equality need to be reconsidered and solved in order to ensure an equal voice for men and women in society.

45. Addressing the meeting, the Director of the European Centre for Social Welfare Policy and Research, Vienna, recalled the predecessor, the "All-European Dialogue" held in Helsinki in 1990 which had also brought together participants from a variety of disciplines from Western and Eastern Europe to discuss common contemporary social problems. He explained goals and objectives of this expert meeting and conceptualized the notion of an "Active and Competitive Society", defined as competitive market and a productive civil economy, a consolidated political

democracy and civil society with developed intermediary institutions, including organised interests, cooperative arrangements, and voluntary initiatives.

46. The Director noted that social protection must be compatible with market development. However, market development is eroding social security, particularly in the early phases of reform when protection is most needed. Ignoring or only discounting the human costs can adversely affect both the effectiveness of economic reforms as well as achievements in political democracy and civil society. The Director proposed five policy principles to deal with the issues of concern:

- linking or interweaving economic and social policies
- principles and priorities of social protection
- promoting social dialogue/partnership, intermediary institution-building, and social contracts
- promoting nonprofit initiatives, community action, experiments, and social innovation
- promoting business investment, growth and entrepreneurship in a "civil economy".

B. Attendance

48. The meeting was attended by thirty five participants representing fifteen Western and Eastern countries (list of participants: Annex I)

C. Election of Officers

49. Vappu Taipale was elected chairperson by acclamation.

50. Joze Mencinger and Michael Hay were elected to co-chair discussion on the agenda item 1. Mira Marody and Colin Crouch were elected to co-chair item 2. Zsuzsa Ferge and Guy Standing were elected to co-chair item 3.

51. J. Ronald Gass and Peter Melvyn served as Rapporteurs of the Seminar.

D. Adoption of the Substantive Agenda

52. The meeting adopted three items for discussion:

- Discussion Agenda Item 1: Economic and Social Policies Adapted to the Needs of the Present Transition Phase.
- Discussion Agenda Item 2: Building Intermediary Institutions between the State and the Individual in order to Guarantee Civilized Competition and Conflict Regulation.
- Discussion Agenda Item 3: The Threat of Massive Unresolved Social Problems Possibly Undermining the Transformation towards Competitive Societies

E. Documentation

53. Five invited background documents were prepared for the meeting, six resource documents were made available to the seminar and, in addition, eleven participant papers were received. In addition,. A complete list of documents and papers are annexed and are available from the European Centre for Social Welfare Policy and Research.

F. Adoption of the Report and Closure of the Meeting

54. The Conclusions and Guiding Principles were considered by the participants on September 22 and adopted unanimously.

55. The participants expressed their gratitude to the Finnish National Agency for Welfare and Health for organising the meeting and providing the excellent facilities that had contributed to its successful outcome.

V. SUMMARY OF THE DISCUSSIONS

Agenda Item 1:
Economic and Social Policies Adopted to the Needs of the Present Transition Phase.

56. In their consideration of this item, several participants of both Western countries and of the Central and Eastern European region felt that it seemed most difficult to discuss the links between economic and social policies in view of the tremendous problems encountered in establishing market economies on the one hand, and social policies at the same time. This absence of social policies is apparently due to the lack of forward-looking desicion-making. In addition the present tendencies toward monetarism in the economy leave practically no place for social policy. While the aim has to be to integrate and to sustain present economic and social reform efforts in order to provide protection against the effects of transition, account must be taken of the legacy left by the former regime. This legacy was regarded by several participants as a major obstacle to the development of a competitive society and of an active social policy. It is characterised by an overreliance on the state, whether directly or through the workplace, as the sole provider of social services, by a wide-spread feeling of helplessness and abdication of personal responsibility resulting in social inertia. Part of this legacy was a politicized social policy which created an "equality of the poor" and which, at the same time, through its link with the employment system, represented a means of social control.

57. Under these circumstances, some participants from Western countries wondered whether their welfare states could serve as appropriate models in extreme situations of economic crisis and the resulting severe financial constraints. Western welfare states, in all their forms, have all failed not only to eradicate inequalities during the 1980s, but inequalities had been on the increase. Opinions varied as to a new type of social policy model that could be developed in Central and Eastern Europe, although there was general agreement that social policy should seek to maintain miminal living standards of the population and be geared foremostly to those population groups that are most at risk.

58. In the debate that followed some participants reminded the meeting that such a selective approach which goes against the universalist principle in social policy to help only the most needy is making headway also in Western European countries. Several participants pointed to the discriminatory features of this approach such as means-, work- and behavioral tests, advocated by conservative politicians who claim that universal access to benefits is wasteful. The difference is, as one participant emphasised, that while cuts in the Western welfare systems, as painful as they may be, are less of a threat to subsistence because the general standards and starting points were higher, similar measures in Central and Eastern Europe affect people far more. Other participants felt that social policy has to be adapted to a crisis situation and be progressively improved as conditions change. In some countries of the region there is a threat of mass unemployment which may jeopardize the reform process itself. This is mainly due to the non-convertibility of certain industries such as armaments which may have to dismiss a large part of their labour force for whom not sufficient jobs can be created elsewhere.

59. Some participants voiced criticism of the Western countries for providing either insufficient assistance to Central and Eastern Europe or doing it inappropriately. This, in the words of one participant, was a "historical mistake which is worse than a crime". Some participants drew attention to the self-interest that Western countries had in revising their approach to assistance. One reason given was the growing migration pressure on the wealthier regions of the world in general as the external effects of poverty in one area upon other areas increase both in intensity and in scope. These external effects of poverty that transcend national frontiers are due to ecological degradation, to violent conflicts that spread beyond frontiers and to lack of employment and poverty. Thus rich and poor nations are becoming increasingly interdependent. The action suggested by one participant was a concerted transnational anti-poverty programme supported by governments and international agencies that will support and finance social policy programmes including public work projects to relieve poverty.

Agenda Item 2:
Building Intermediary Institutions between the State and the Individual in order to Guarantee Civilised Competition and Conflict Regulation.

60. In its consideration of this agenda item, the Meeting agreed that the development of an active, pluralist, civil society requires a rich structure of institutions mediating between individuals and their families on the one hand and the state on the other, yet little thought has so far been given to how such institutions can be encouraged and be created in the new societies of Central and Eastern Europe.

61. Most participants felt that this was an area which did not lend itself easily to making concrete proposals. First, this is an area rich in value judgements; views about which organisations should be encouraged and which discouraged are inherently political. Second, organisations that can be created by acts of state policy are not true institutions of civil society; to be part of civil society means to be beyond the control of the state. The evolution of institutions is bound to be slow, with reverses and conflicts. That is part of the nature of civil society.

62. Policy can respond only to demands emerging from within a society. If, for example, no trade union movement is being sought by workers, an attempt to generate one from the state alone will lead to 'puppet' organisations like those of the old regime. Little contribution will be made to the development of civil society by constructing artificial, top-down bodies. Another factor is that as a result of almost half of a century of totalitarian rule there is a deep mistrust of institutions. At the same time, it is a fallacy to believe that institutions emerge naturally. There has to be a public will to create them and a legal framework to enable and foster their creation.

63. However, as it was pointed out, the actions of governments and of international bodies can have major implications whether autonomous organisations are encouraged to grow in certain ways, or at all. It is not possible to close one's eyes to these implications on the grounds that they are unintended. For example, if an international agency only speaks to a national government and never seeks contacts with, for example, business associations and trade unions, it reinforces a model of society in which only the state counts.

64. A rich variety of intermediary institutions also erodes the paternalist role that governments and ruling parties have arrogated themselves over the years. The problem is, as some participants stressed, that the very idea of "countervailing power" is not yet ingrained. Time and patience are therefore important factors in institution building.

65. It was recalled that existing capitalist societies present a wide variety of models, for example for the role of business associations and trade unions. They range from detailed involvement in day-to-day delegated administration of many labour market issues; collective bargaining, whether at company or sectoral level, combined with lobbying of political authorities; national participation in policy administration by business organisations, with company level involvement by unions; symbolic social pacts to try to reinforce industrial peace and social order to refusal by employers to accept organisation by labour.

66. Which of these patterns are likely to be adopted in the various Central and Eastern European countries, and with what consequences for economic and social development? What will be the role of (a) organisations continuing from the Communist period (b) opposition movements originating during the Communist period; (c) new organisations?

67. The point was made that the uneven growth of business associations is inclining the countries of the region to a market pattern of capitalist development which may not have been consciously chosen and which may not always be necessary. Where businesses are organised in self-governing associations, encouraged by government, they can often play a part in providing the public goods and institutional infrastructure (e.g. export advice,research and development,

employee training) that create a high value-added competitive society as well as a competitive economy.

68. It was similarly noted that the abandonment of all social functions and services that used to be performed by enterprises under the former regime is bringing firms in most of the region closer to the Western-type enterprise model. One of the problems is, however, that the loss of these functions and services has created a vacuum, inasmuch that no other institution has as yet assumed responsibility for them.

69. Attention was drawn to the fact that in many countries of the region the present instability of law makes it difficult for interest organisations and voluntary bodies to acquire a legal personality, hire premises, employ staff working alongside volunteers and generally conduct their business. The creation of a stable legal framework for intermediary associations is equal to the need of companies in most countries of the region to have clear commercial and investment legislation.

70. Several participants from Western countries recalled the role that nonprofit organisations and voluntary associations play in public life inter alia: serving as a vehicle for expressing the interests of diverse constituencies and thus for strengthening pluralism; by following the principle of subsidiarity (giving precedence to smaller units) they reduce the burden on the state of providing social services; facilitating choice by allowing consumers and users of services to freely select among several alternatives; offering services that central and local governments are unable to provide. Apart from legislation needed to enable nonprofit organisations to form, governments must allow for their financing through private donations but they must also be prepared to subside them and at the same time respect their independence. As much as they see the importance of voluntary organisations, participants from Central and Eastern Europe felt that their formation will for many years be difficult, mainly for financial reasons, since state support, especially without strings attached, is not likely to be forthcoming. While it will probably be some time before trust relations in these countries will reach a point when this becomes possible, it is felt that both state and intermediary institutions will gain from gradual establishment of a working relationship.

Agenda Item 3:
The Threat of Massive Unresolved Social Problems Possibly Undermining the Transformation towards Competitive Societies.

71. In the discussion of this item the meeting agreed that the phases of transition and restructuring presented many socio-economic dangers and problems, including some that would have both short-term and long-term consequences for the viability of the transition process itself. It was also agreed that a crucial underlying threat was that in the initial process of change there would be a systematic erosion of human potential reflected by inadaptation of a considerable part of the labour force to conditions of a market economy, by brain drain and by the growth of unemployment.

72. With regard to the problem of inadaptation a distinction needs to be made between persons who are a) immediately adaptable, b) potentially adaptable, and c) non-adaptable. It is an open question to what extent the adaptation problems of groups b) and c) are not due to lack of job and training opportunities and of information to be provided by the public authorities. Although the level of education and training in most countries of the region is generally high, there is a question regarding its appropriateness and a concern that special attention needs to be given to enable people to respond to new requirements. All agreed that education and training had to be an integral part of the social investment strategy of national and local governments.

73. To some participants, this classification had worrying overtones, since it could easily lead to discrimination against people on the basis of age, gender, race, past work or past affiliation. However, it was agreed that far more empirical investigation of the characteristics of those described as vulnerable was essential, since the needs and capacities of those groups losing

the most in the transition needed to be understood if social policy was to address their situation appropriately.

74. Several participants felt that industrial restructuring was likely to be painful since in comparison to Western countries the manufacturing sector as well as agriculture had a surplus of labour while the service sector was underdeveloped. Others pointed out that, as the experience in Western countries shows, many of the new jobs created were not in large enterprises and no longer craft-oriented. For this reason, and with the rapidly changing technologies not too much stress should be placed on traditional types of training provided by training institutes and schemes which thus become part of the problem rather than part of the solution.

75. Many participants expressed great concern with regard to the continuing "brain drain", both in the form of emigration of educated citizens and in the form of misallocation of intellectuals and professionals in activities where their potential social productivity was lost. This problem was also recognized in the view that "human potential erodes very fast", so that the process of restructuring and mobility had to be managed. A modern society cannot exist without an intellectual elite, without whom there would be a much stronger drift to political extremism with its variants of populism, chauvinism, racism and intolerance for minority views and forms of behaviour. This led to a discussion of the diverse measures for promoting mobility, and to a plea for research on which types of rehabilitation, retraining and preventive social and labour market policy mechanisms were most appropriate.

76. It was also agreed that the immediate threat of massive unemployment was coupled with that of intensified pauperisation, socio-economic marginalisation, the emergence of an induced "unemployable" category, and the spread of social ills, including a proliferation of criminality.

77. Some threats are primarily due to the political process, including those of mass unemployment which is likely to become the number one problem in the decade ahead. The fear of large numbers of long-term unemployed drifting into social ills and being amenable to populism was coupled with a fear of that well-known syndrome of middle-class "déclassement" whereby they responded to their deteriorating social status by supporting anti-democratic forces.

78. Some threats are more overtly economic and social, although all have political implications. This applied most of all to the growing problem of mass unemployment and the socio-economic alienation that comes with it. It was also suggested that more efforts should be made to measure the forms of "non-employment" and their incidence, since statistical misinformation had bedevilled the development of appropriate social policy.

79. The meeting considered how the costs of transition might best be shared or "collectivised" as one participant put it? And how can such costs be reduced without deleterious consequences? Clearly, the main fear is that the increasing level of poverty affecting majorities of all countries of the region would lead to worsening morbidity, shorter life-expectancy and permanent incapacity. Providing a basic level of income and guaranteeing a minimum of social protection to those at risk was suggested by some participants as being imperative.

80. One tendency of current developments that was brought up was that the State, explicitly or implicitly, was allowing the reversion to traditional forms of the division of labour. This was particularly affecting the societal position of women, in that the family was being expected to take over functions previously assumed by state or enterprise mechanisms, precisely at a time when the capacity of the majority of the population was least able to do so.

81. Fears of discrimination, marginalisation and restratification led to the conclusion in the meeting that social policy should be judged by whether it promoted four types of hope in society:

(1) The expectation of being able to participate in social activity when economic prospects improve, implying the need to have laws giving all groups a sense of participation;

(2) A sense of inclusion, implying that for all groups a recognition of the value of pluralism of behaviour, values, opinions;

(3) A feeling that society cares about individual rights, implying that when laws are being rewritten they should give prominence to the promotion and recognition of human rights;

(4) A sense in which the common person's future is secure, implying access to basic goods and services.

82. While it was agreed that a stable and growing economy was a prerequisite for effective social policy, the latter must be an integral part of the transition strategy, dealing with short-term problems while promoting long-term concerns of distributive justice and social protection.

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ANNEX I

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SEMINAR DOCUMENTS **ANNEX II**

A. Invited Background Papers

Zsuzsa Ferge: Human Resource Mobilisation and Social Integration In Search of New Balances in the Great Transformation

Mira Marody: Building a Competitive Society: Challenges for Social Policy

Guy Standing: Restructuring for Distributive Justice in Eastern Europe

Hannu Uusitalo: Variations of Social Dimension in Western Countries

Tatyana Yarigina, Grigory Yavlinski: Social Policy in the Transition from Centralized to Market Economy (on the example of the former USSR)

B. Background Documents

AGENDA 92 to Socio-Economic Reconstruction of Central and Eastern Europe

Lazlo Bruszt "Social Partnership in East/Central Europe"

Michael Hay and Alan Peacock "Giving Advice to Government: The Case of Russia"

Michael Hay and Alan Peakock "Social Policies in the Transition to a Market Economy"

Bernd Marin "Proposed Agenda" for "Towards a Competitive Society in Central and Eastern Europe: Social Dimensions"

Peter Melvyn/Bernd Marin "Guidelines"

Richard Rose "Toward a Civil Economy"

Richard Rose "Between State and Market: Key Indicators in Eastern Europe"

Henryk Sokalski "Towards a Competitive Society in Central and Eastern Europe: Social Dimension"

Abram de Swaan "Perspectives for Transnational Social Policy"

Eurosocial Report no. 39/1991 "First All-European Dialogue on Social Policies"

Journal für Sozialforschung, vol. 31 (1991) no. 3, English translation of pictorial statistics on "Economic and Political Reforms in Central Europe"

C. Participants' Papers

Bob Deacon "Impact of Supranational and Global Agenics on Central European National Social Policy"

Kaarel Haav "Changes in Industrial Relations in Estonia"

Anton Kuklinski "The Barriers for the Development of Social Transformation Policies in Central and Eastern Europe"

Anton Kuklinski "The Future of Strategic Planning in Central and Eastern Europe"

Anton Kuklinski "Polonia Quo Vadis"

Jussi Simpura and Christoffer Tigerstedt, ed. "Social Problems Around the Baltic Sea"

Hannu Uusitalo "The Scandinavian Welfare State and Poverty"